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Fight or Negotiat.

By James Reston

WASHINGTON, April 19 — The fighting in Central America may have one beneficial effect. It is forcing the United States and the leaders of the Contadora group.— Mexico, Venezuela, Colombia and Panama — to recognize the common danger and at least discuss the possibility of a negotiated settlement of the crisis.

The U.S. Secretaries of State, Treasury and Commerce were recently in Mexico City talking about this issue, and this indicates some change of attitude by the Reagan Administration.

A year ago the National Security Council produced a private memorandum, obtained by The New York Times, suggesting that Mexico be kept "isolated" on Central American issues because "it continues public and covert support for the extreme left [in Nicaragua and El Salvador] with propaganda, funds and political support."

This is still the view of some influential members of the Administration, but the outlook is for a protracted military struggle, which nobody here wants. The preference is for a negotiated settlement, which the U.S. is not likely to get by itself.

Accordingly, in recent weeks a group of distinguished U.S. and Latin American private citizens have been studying the wider problems of the hemisphere. They met under the auspices of the Woodrow Wilson International Center for Scholars and issued a report the other day entitled "The Americas at a Crossroads." The cochairmen were Soi M. Linowitz, former U.S. envoy, and Galo Plaza, former President of Ecuador.

The final-report dealt with the economic, cultural, human and security problems of the Americas, and said the following on the crisis in Central America: "We call on the Presidents of these countries to go a step further and involve themselves directly in regional negotiations. These countries are well positioned to play such a role, for they enjoy good relations with the countries of Central America and with the United States, and most of them have relations with Cuba.

"They have an urgent interest in ending Central America's tragedy, and they have the confidence of the relevant actors. The United States should make it clear that it favors and encourages an active role by the Contadora group in seeking an end to the Central American conflict; and that it stands ready to join the discussions as may be appropriate."

This report recognizes the U.S. strategic interest in opposing the

spread of Communist influence in the hemisphere and particularly in areas close to the Panama Canal, but it emphasizes that this is not only a U.S. but a regional problem.

"It is our firm conviction," the report said, "that even where there is a military dimension to conflict, as in Central America, the solutions ultimately lie in economic and social development and political dialogue, not in weapons or military solvisors. Even when external support for insurrection clearly is present, as in El Salvador, the underlying problems remain domestic."

It will not be easy to get the enthusiastic endorsement of these points here in Washington. Jeane Kirkpatrick: said at the U.N. that the U.S. would have "no objection" to the Contadora nations exploring the possibility of negotiations, but the main dialogue in Washington is about more arms.

The history of U.S. military intervention over the last century and a half is still vivid in the memories of the Latin American nations, especially in Mexico, which lost title to Texas, California, Nevada, Utah, most of Arizona and New Mexico and part of Colorado under the Treaty of Guadalupe Hidalgo in 1848. Resentment of this amputation is still encouraged in many schoolbooks of Mexican children to this day.

Even if the Latin Americans recognize the danger of Communist expansion in the hemisphere, which some do, any U.S. military intervention below the Rio Grande sends a shudder through the Latin American capitals.

They have not forgotten the C.I.A.'s operations at the Bay of Pigs, and many of them resented U.S. aid to Britain during the Falkland war.

Secretary Shultz is arguing for more military aid to the anti-Communist forces in Central America and presumably goes along with C.I.A. operations in the region, but it is not his way to "isolate" Mexico or anybody else who might explore the possibilities of a peaceful settlement.

The outlook is not good. Even if Secretary Shultz can get the enthusiastic backing of the President, Judge Clark and Secretary of Defense Weinberger for his gentler approach, the military problem will remain until it is resolved by force or negotiation.

When Pope John Paul II made his first trip to the Americas he said, "I have come to the continent of hope." But there is not much hope: Nobody here is even talking about the Good Neighbor policy or the Alliance for Progress, but at least the Secretary of State is listening, and that is progress—not much but some.